

LEGACY LAND CONSERVANCY

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

LEGACY LAND CONSERVANCY

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to the Financial Statements	5-11
Supplemental Information:	
Statements of Functional Expenses	12
Statement of Temporary and Permanently Restricted Net Assets	13

MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD • JACKSON • MICHIGAN • 49203
PHONE (517) 782-9351 • FAX (517) 782-0599

RONALD L. MARKOWSKI, CPA
DOUGLAS E. ATKINS, CPA
SCOTT O. McLANE
RANDALL D. BIDDIX, CPA
RETIRED PARTNER:
K. LAVERNE MARKOWSKI, CPA (1961-2006)

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF
SOUTH CENTRAL MICHIGAN

Independent Auditor's Report

The Board of Directors
Legacy Land Conservancy
Ann Arbor, Michigan

We have audited the accompanying statements of financial position of the **Legacy Land Conservancy** (the "Agency"), a Michigan non-profit corporation, as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Legacy Land Conservancy** as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 12 and 13 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedure applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Markowski & Company, CPA's

MARKOWSKI & COMPANY CPAs
August 9, 2012

LEGACY LAND CONSERVANCY
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 488,523	\$ 615,700
Investments	593,306	620,471
Pledges receivable	25,000	500
Grants receivable	22,012	1,045
Accrued interest receivable	1,784	2,235
Prepaid and deferred expenses	4,604	8,496
Total current assets	<u>1,135,229</u>	<u>1,248,447</u>
Fixed assets, net of accumulated depreciation	<u>823</u>	<u>1,235</u>
Other Assets:		
Preserves - Encumbered	1,295,150	1,295,150
Preserves - Unencumbered	2,379,853	2,379,853
Land held for sale	-	150,000
Conservation easements	64	61
Total other assets	<u>3,675,067</u>	<u>3,825,064</u>
TOTAL ASSETS	<u><u>\$ 4,811,119</u></u>	<u><u>\$ 5,074,746</u></u>
LIABILITIES:		
Current Liabilities:		
Accounts payable	\$ 6,135	\$ 10,554
Accrued expenses	14,259	16,657
Total current liabilities	<u>20,394</u>	<u>27,211</u>
NET ASSETS:		
Unrestricted	2,660,496	2,837,631
Temporarily restricted	209,189	266,076
Permanently restricted	1,921,040	1,943,828
Total net assets	<u>4,790,725</u>	<u>5,047,535</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,811,119</u></u>	<u><u>\$ 5,074,746</u></u>

The accompanying notes are an integral part of these financial statements.

LEGACY LAND CONSERVANCY
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total	Total
Revenues:						
Contributions	\$ 119,936	\$ 67,155	\$ 5,321	\$ 192,412	\$ 335,226	\$ 335,226
Grants	172,891	28,500	-	201,391	176,647	176,647
Fundraising events	9,729	200	-	9,929	49,607	49,607
Interest and dividends	1,220	-	13,295	14,515	12,790	12,790
Realized and unrealized investment gains (losses), net of fees	-	-	(27,035)	(27,035)	85,007	85,007
Contract income	-	-	-	-	3,000	3,000
Acquisition of easements/development rights	140,500	-	-	140,500	612,000	612,000
Miscellaneous	17,363	-	3	17,366	3,039	3,039
Net assets released (transferred) from restrictions:						
Endowment distribution	14,372	-	(14,372)	-	-	-
Proceeds from sale of trade lands	(63,116)	63,116	-	-	-	-
Net assets released from restrictions	36,018	(36,018)	-	-	-	-
Total revenues	448,913	122,953	(22,788)	549,078	1,277,316	1,277,316
Expenses:						
Program services	320,614	-	-	320,614	252,700	252,700
Fundraising	30,495	-	-	30,495	68,130	68,130
Management & General	47,558	-	-	47,558	38,840	38,840
Loss on sale of donated land	86,884	-	-	86,884	-	-
Expense of easements	140,497	-	-	140,497	611,996	611,996
Purchase of development rights	-	179,840	-	179,840	-	-
Total expenses	626,048	179,840	-	805,888	971,666	971,666
Increase (Decrease) in Net Assets	(177,135)	(56,887)	(22,788)	(256,810)	305,650	305,650
Net Assets - Beginning of Year	2,837,631	266,076	1,943,828	5,047,535	4,741,885	4,741,885
Net Assets - End of Year	\$ 2,660,496	\$ 209,189	\$ 1,921,040	\$ 4,790,725	\$ 5,047,535	\$ 5,047,535

The accompanying notes are an integral part of these financial statements.

LEGACY LAND CONSERVANCY
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (256,810)	\$ 305,650
Adjustments to reconcile the increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation expense	412	-
Non-cash acquisition of easement/developmental rights	(3)	(4)
Loss on sale of preserves/property	86,884	-
Unrealized loss (gain) on investments	22,636	(87,321)
Change in operating assets and liabilities:		
Pledges receivable	(24,500)	400
Grants receivable	(20,967)	(535)
Accrued interest receivable	451	1,483
Prepaid expenses	3,892	(5,873)
Accounts payable	(4,419)	9,199
Accrued expenses	(2,398)	2,998
	<u>(194,822)</u>	<u>225,997</u>
Net cash provided by operating activities		
CASH FLOWS PROVIDED (USED) FROM INVESTING ACTIVITIES:		
Net (Purchase) Sale of investments	4,529	15,337
Proceeds from land held for sale	63,116	
Purchase of Fixed Asset	-	(1,235)
	<u>67,645</u>	<u>14,102</u>
Net cash provided (used) from investing activities		
Net increase (decrease) in cash and cash equivalents	(127,177)	240,099
Cash and cash equivalents - Beginning of year	<u>615,700</u>	<u>375,601</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 488,523</u></u>	<u><u>\$ 615,700</u></u>

The accompanying notes are an integral part of these financial statements.

LEGACY LAND CONSERVANCY
NOTES TO THE FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization and Tax Status – The Legacy Land Conservancy (the Agency) is a not-for-profit agency operating in Washtenaw, Jackson and surrounding counties in southeastern Michigan. The mission of the Legacy Land Conservancy is to protect natural areas, working farmlands and open spaces in the area. The Agency accomplishes its mission through three primary activities of acquiring protective interests in conservation land through purchase and donation; advocating for the protection of open space; and caring for the land it owns and monitoring land under its conservation agreements.

The Agency was founded in 1971 and is exempt from federal and state income taxes under the provisions of section 501(c)(3) of the Internal Revenue Code as a charitable agency whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The major funding for the Agency is derived from donations, grants and fundraising events.

Financial Statement Presentation – The Agency prepares financial statements in accordance with FASB Accounting Standards Codification (ASC) 958-205 and subsections. Accordingly, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Agency is required to present a statement of cash flows.

Unrestricted Net Assets represent the portion of funds available for the general operations and not subject to any donor imposed restrictions.

Temporarily Restricted Net Assets represent donations and grants that the donor has specified imposed restrictions that have yet to occur. When a donor imposed restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently Restricted Net Assets include encumbered preserves, donor restricted conservation easements on land valued at \$1, and donor contributions to endowment funds maintained by the Agency.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting. Accordingly they reflect all significant receivables and payables as of the date of the financial statements.

Support and Revenue Recognition – Contributions, including unconditional promises to give, are recorded in the period the gift or promise is received. For financial statement presentation purposes, the Agency has elected to report temporarily restricted assets whose requirements were fulfilled in the same period that the contribution was received, as unrestricted activities.

Donated Services - A number of volunteers have donated their time and perform a variety of tasks that assist the Agency in the completion of its mission. As these services do not meet the criteria for recognition as contributed services in accordance with generally accepted accounting principles, no amounts for support or revenue recognition have been recorded.

LEGACY LAND CONSERVANCY
NOTES TO THE FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Functional Expenses – The Agency accumulates and records operating expenses according to the nature of the expense that was incurred (see the statement of functional expenses). These functional expenses are allocated and reported on the statement of activities in three functional categories; program services, fundraising and management and general expenses. The allocation to these functional categories is based on management's records of time allocated by the staff.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include checking accounts, cash on hand and highly liquid investments, such as certificate of deposits and money markets, with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value as a result of the short maturities of those financial instruments.

Investments – The Agency records investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statements of financial position. Fair value of marketable equity and debt securities is based on quoted market prices as of the date of the financial position. Alternate investments are stated at the fair value of their underlying assets and allocated to the investors in proportion to the investor's ownership percentage. Realized gains and losses are determined based on specific cost identification.

Fixed Assets – The Agency capitalizes all new equipment and improvements with a useful life of greater than one year and a cost of greater than \$1,000. Major renewals and improvements are capitalized, while replacements, maintenance and repairs which do not materially extend the useful lives of the assets are expensed. Donated or contributed fixed assets are capitalized if the estimated fair market value is \$1,000 or greater. The assets are depreciated using straight-line method over their estimated useful life.

Preserves (Parcels of Land) – The property of the Agency consists of parcels of land in southeastern Michigan received at various times from various donors. The Agency owns all residual rights associated with these properties. Such property is recorded as revenue and other asset at the time the property is received. The basis of the donation is the fair value of the property as of the date donated as determined by the most recent appraisal prepared by an independent qualified appraiser.

Conservation Easements – It is the policy of the Agency to record the donation or acquisition of an easement at its fair market value, in accordance with the most recent appraisal if available, as an income and expense item on the Agency's financial statements. These easements held by the Agency are more akin to liabilities than assets, due to the annual monitoring obligation. As a result of this, and because a perpetual conservation easement essentially represents an extinguishment of rights to develop land, these easements are recorded as an asset with a value of \$1.

LEGACY LAND CONSERVANCY
NOTES TO THE FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization and Tax Status – The Legacy Land Conservancy (the Agency) is a not-for-profit agency operating in Washtenaw, Jackson and surrounding counties in southeastern Michigan. The mission of the Legacy Land Conservancy is to protect natural areas, working farmlands and open spaces in the area. The Agency accomplishes its mission through three primary activities of acquiring protective interests in conservation land through purchase and donation; advocating for the protection of open space; and caring for the land it owns and monitoring land under its conservation agreements.

The Agency was founded in 1971 and is exempt from federal and state income taxes under the provisions of section 501(c)(3) of the Internal Revenue Code as a charitable agency whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The major funding for the Agency is derived from donations, grants and fundraising events.

Financial Statement Presentation – The Agency prepares financial statements in accordance with FASB Accounting Standards Codification (ASC) 958-205 and subsections. Accordingly, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Agency is required to present a statement of cash flows.

Unrestricted Net Assets represent the portion of funds available for the general operations and not subject to any donor imposed restrictions.

Temporarily Restricted Net Assets represent donations and grants that the donor has specified imposed restrictions that have yet to occur. When a donor imposed restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently Restricted Net Assets include encumbered preserves, donor restricted conservation easements on land valued at \$1, and donor contributions to endowment funds maintained by the Agency.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting. Accordingly they reflect all significant receivables and payables as of the date of the financial statements.

Support and Revenue Recognition – Contributions, including unconditional promises to give, are recorded in the period the gift or promise is received. For financial statement presentation purposes, the Agency has elected to report temporarily restricted assets whose requirements were fulfilled in the same period that the contribution was received, as unrestricted activities.

Donated Services - A number of volunteers have donated their time and perform a variety of tasks that assist the Agency in the completion of its mission. As these services do not meet the criteria for recognition as contributed services in accordance with generally accepted accounting principles, no amounts for support or revenue recognition have been recorded.

LEGACY LAND CONSERVANCY
NOTES TO THE FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Functional Expenses – The Agency accumulates and records operating expenses according to the nature of the expense that was incurred (see the statement of functional expenses). These functional expenses are allocated and reported on the statement of activities in three functional categories; program services, fundraising and management and general expenses. The allocation to these functional categories is based on management's records of time allocated by the staff.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include checking accounts, cash on hand and highly liquid investments, such as certificate of deposits and money markets, with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value as a result of the short maturities of those financial instruments.

Investments – The Agency records investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statements of financial position. Fair value of marketable equity and debt securities is based on quoted market prices as of the date of the financial position. Alternate investments are stated at the fair value of their underlying assets and allocated to the investors in proportion to the investor's ownership percentage. Realized gains and losses are determined based on specific cost identification.

Fixed Assets – The Agency capitalizes all new equipment and improvements with a useful life of greater than one year and a cost of greater than \$1,000. Major renewals and improvements are capitalized, while replacements, maintenance and repairs which do not materially extend the useful lives of the assets are expensed. Donated or contributed fixed assets are capitalized if the estimated fair market value is \$1,000 or greater. The assets are depreciated using straight-line method over their estimated useful life.

Preserves (Parcels of Land) – The property of the Agency consists of parcels of land in southeastern Michigan received at various times from various donors. The Agency owns all residual rights associated with these properties. Such property is recorded as revenue and other asset at the time the property is received. The basis of the donation is the fair value of the property as of the date donated as determined by the most recent appraisal prepared by an independent qualified appraiser.

Conservation Easements – It is the policy of the Agency to record the donation or acquisition of an easement at its fair market value, in accordance with the most recent appraisal if available, as an income and expense item on the Agency's financial statements. These easements held by the Agency are more akin to liabilities than assets, due to the annual monitoring obligation. As a result of this, and because a perpetual conservation easement essentially represents an extinguishment of rights to develop land, these easements are recorded as an asset with a value of \$1.

LEGACY LAND CONSERVANCY
NOTES TO THE FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Beneficial Interest in Perpetual Trust – The Agency has adopted Statement of Financial Standards (SFAS) No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. In accordance with SFAS No. 136, the funds held at a Community Foundation are only recorded at the spendable balance that is available to the Agency.

Compensated Absences - Vested and accumulated vacation leave is reported as an expense and a liability when the obligation becomes determinable. No liability is accrued for nonvesting rights to receive sick pay benefits.

NOTE B – CASH AND CASH EQUIVALENTS

As stated in Note A – Nature of Activities and Summary of Significant Accounting Policies, cash and cash equivalents include funds with maturity dates of less than three months. All account balances were within the limits of coverage provided by the Federal Deposit Insurance Corporation. Cash and cash equivalents are summarized as follows:

	<u>2012</u>	<u>2011</u>
Petty Cash	\$ 117	\$ 113
Demand (checking) accounts	148,122	13,482
Certificates of Deposit	240,041	238,469
Money Market funds	<u>100,243</u>	<u>363,636</u>
Total	<u>\$ 488,523</u>	<u>\$ 615,700</u>

NOTE C – INVESTMENTS

Investments consist of publicly traded shares of mutual funds and securities, initially recorded at cost, but adjusted to fair value as the market changes. Investments at June 30 are comprised of the following:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity Funds	\$ 308,103	\$ 341,020	\$ 319,731	\$ 376,617
Fixed Income	<u>248,555</u>	<u>252,286</u>	<u>238,032</u>	<u>243,854</u>
Total	<u>\$ 556,658</u>	<u>\$ 593,306</u>	<u>\$ 557,763</u>	<u>\$ 620,471</u>

The following information summarizes the activities for the years ended June 30th:

	<u>2012</u>	<u>2011</u>
Dividends and interest	\$ 13,295	\$ 12,790
Realized and Unrealized gain (loss)	(22,636)	87,321
Investment management fees	(4,399)	(2,314)

LEGACY LAND CONSERVANCY
NOTES TO THE FINANCIAL STATEMENTS

NOTE D – PLEDGES RECEIVABLE

The pledges receivable consists of pledges made to the Emerald Arc Campaign and the Forever Fund. The amounts comprising this balance will generally be collected within one year. As a result of the near certainty of collection within a year, the Agency has not applied a present value discount, nor established an allowance for uncollectable amounts as all pledges are deemed collectable.

NOTE E – GRANTS RECEIVABLE

The Agency records grants as revenue during the period that the funds were earned. The grant receivable as of June 30, 2012 and 2011 was \$22,012 and \$1,045 respectively, and represents grant dollars earned but not received as of the financial position date.

NOTE F – BENEFICIAL INTEREST IN PERPETUAL TRUST

The Agency is the beneficiary of a perpetual trust held and administered by a Community Foundation. The endowment permits the Foundation to substitute another beneficiary in place of the Agency in the event the Agency ceases to exist, or for other various reasons in accordance with the Foundation's bylaws. As stated in the summary of significant accounting policies, generally accepted accounting policies require the Agency to record the assets held by others at the spendable amount only. The Agency has withdrawn the spendable balance during the fiscal year. As a result no amount of the remaining balance is spendable, or recorded on the financial statements, at the end of the fiscal year June 30, 2012 and 2011. The balance of the trust as of December 31, 2011, the latest date of the fund balance report, is \$47,811.

NOTE G – FIXED ASSETS

As discussed in the summary of significant accounting policies, qualifying purchases, major renewals and improvements are capitalized, while replacements, maintenance and repairs which do not materially extend the useful lives of the assets are expensed. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is included in current operations. During the year ending June 30, 2011 the Agency acquired leasehold improvements valued at \$1,235 that was put in use during July 2011. Depreciation expense during the years ended June 30, 2012 and 2011 are \$412 and \$-0- respectively.

LEGACY LAND CONSERVANCY
NOTES TO THE FINANCIAL STATEMENTS

NOTE H – PRESERVES

The preserves of the Legacy Land Conservancy consist of parcels of land in southeastern Michigan received at various times from various donors. Such properties are recorded at fair values as of the date donated, as determined by an independent appraisal. The balance of these accounts is comprised of the following as of June 30th:

<u>Description</u>	<u>Acres</u>	<u>2012</u>	<u>2011</u>
Encumbered:			
Creekshead Preserve (fee simple)	27	\$ 115,000	\$ 115,000
Beckwith Conservancy (fee simple)	31	61,000	61,000
Sharon Hills Preserve (fee simple)	68	308,150	308,150
Woodland Preserve (fee simple)	14	235,000	235,000
Coudron Preserve (life estate/fee simple)	44	576,000	576,000
Unencumbered-			
Johnson Preserve (fee simple)	49	<u>2,379,853</u>	<u>2,379,853</u>
Total		<u>\$ 3,675,003</u>	<u>\$ 3,675,003</u>

NOTE I – CONSERVATION EASEMENTS

As stated in the summary of significant accounting policies, the Legacy Land Conservancy acquires easements and developmental rights through donations and acquisitions. The policy of the Agency is to record these easements and developmental rights as revenue and expense in the year of the transaction and to record the item for the value of \$1 as an other asset. These transactions are reflected on the statements of activities as revenue, and an expense, resulting in a net increase to conservation easements of \$3 and \$4 as of June 30, 2012 and 2011 respectively.

LEGACY LAND CONSERVANCY
NOTES TO THE FINANCIAL STATEMENTS

NOTE J – EMPLOYEE BENEFIT PLAN

The Legacy Land Conservancy maintains a SIMPLE (Savings Incentive Match Plan) IRA retirement plan. All employees are eligible to participate. To the extent an employee participates by deferring a portion of their compensation into the plan, the Agency will match the employee's contribution, up to a maximum of three percent of the employee's compensation. During the years ended June 30, 2012 and 2011, the retirement expense incurred by the Agency was \$4,455 and \$2,991 respectively.

NOTE K – SUMMARY OF FAIR VALUE EXPOSURE

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157") – now referred to as ASC 820-10 and subsections – effective for fiscal years beginning after November 15, 2007. SFAS 157 clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Agency has adopted SFAS 157 for its financial assets and liabilities measured on a recurring and nonrecurring basis. In February 2009, the FASB issued FSP 157-2, which delayed the effective date of SFAS 157 by one year for nonfinancial assets and liabilities.

SFAS 157 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate the price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted Prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.).

Level 3: Significant unobservable inputs (including the Agency's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Agency's financial assets and liabilities are not indicators of the risks associated with those instruments.

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of June 30:

Description	2012	2011
Level 1: Quoted Prices in Active Markets for Identical Assets	\$ 593,306	\$ 620,471

The fair value of the Agency's investments in marketable equity and debt securities is based on quoted market prices.

LEGACY LAND CONSERVANCY
NOTES TO THE FINANCIAL STATEMENTS

NOTE L – COMMITMENTS

In June 2011, the Agency entered into a Lease Agreement, effective July 1, 2011, to occupy Suite 203, 1100 N. Main Street, Ann Arbor, Michigan which includes 879 rentable square feet. The term of the Lease is for three years ending on June 30, 2014. The Agency shall pay as rent \$13,992 a year in equal monthly installments of \$1,166. This amount is the base rent. In addition, the Agency shall pay as its share of utilities cost \$4,908 in equal monthly installments of \$409. The utilities cost is defined to include janitorial service, electric, gas, water charges and coffee for the common area kitchen. The Agency has also entered into an agreement for the rental of shed space at \$23 per month commencing in August 2009. During the years ended June 30, 2011 and 2010 the Agency had expensed as rent \$19,728 and \$11,406 respectively. Based on current signed agreements future obligations are as follow

Year ending June 30, 2013	\$ 19,176
Year ending June 30, 2014	\$ 19,176

NOTE M – SUBSEQUENT EVENTS

Statement of Financial Accounting Standards No. 165, *Subsequent Events*, establishes general standards of accounting for the disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 incorporates into GAAP certain guidance that previously existed under generally accepted auditing standards, which required the disclosure of the date through which subsequent events have been evaluated and whether that date is the date on which the financial statements were issued or available to be issued. The evaluation of subsequent events through August 9, 2012, which was the date the financial statements were available to be issued, revealed no events that are required to be reported within the general standards established under SFAS 165.

LEGACY LAND CONSERVANCY
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2012 and 2011

	Program Services	Fundraising	Management & General	2012	2011
Salaries and related expenses:					
Salaries and contract services	\$ 154,422	\$ 11,706	\$ 31,951	\$ 198,079	\$ 154,795
Payroll taxes and benefits	31,281	2,371	6,473	\$ 40,125	29,438
Total	<u>185,703</u>	<u>14,077</u>	<u>38,424</u>	<u>238,204</u>	<u>184,233</u>
Education and Outreach:					
Print & web design	1,210	-	-	1,210	500
Brochures and booklets	1,837	-	-	1,837	-
Community outreach	1,574	-	-	1,574	3,751
Media, radio and newspaper	2,659	-	-	2,659	325
Newsletters and postcards	11,012	-	-	11,012	6,954
LLC member events	4,280	-	-	4,280	1,700
Total	<u>22,572</u>	<u>-</u>	<u>-</u>	<u>22,572</u>	<u>13,230</u>
Land Protection:					
Consulting	25,031	-	-	25,031	32,935
Land project expenses	25,183	-	-	25,183	46,248
Monitoring	990	-	-	990	1,859
Taxes & dues	4,337	-	-	4,337	5,894
Stewardship	12,672	-	-	12,672	2,014
Total	<u>68,213</u>	<u>-</u>	<u>-</u>	<u>68,213</u>	<u>88,950</u>
Fundraising:					
Cultivate and prospecting	-	1,138	-	1,138	406
Major donor events	-	1,878	-	1,878	177
Membership renewals	-	5,841	-	5,841	10,481
Special project mailings	-	-	-	-	30
Prospect campaign/events	-	4,217	-	4,217	16,700
Total	<u>-</u>	<u>13,074</u>	<u>-</u>	<u>13,074</u>	<u>27,794</u>
Operating and administrative:					
Travel	846	64	175	1,085	527
Audit expense	4,951	375	1,025	6,351	6,200
Bank charges	1,269	96	263	1,628	1,041
Fees and dues	1,355	103	280	1,738	5,780
Copying and printing	3,833	290	793	4,916	-
Insurance	4,674	354	968	5,996	5,402
Depreciation	321	24	67	412	-
Office supplies	1,349	102	280	1,731	1,692
Postage and mailing	2,474	188	512	3,174	2,849
Rent and occupancy	15,380	1,166	3,182	19,728	11,406
Software and IT	5,225	396	1,081	6,702	5,920
Staff development	1,480	112	307	1,899	2,442
Strategic planning	515	40	107	662	451
Telephone	454	34	94	582	1,753
Total	<u>44,126</u>	<u>3,344</u>	<u>9,134</u>	<u>56,604</u>	<u>45,463</u>
Total Expenses	<u>\$ 320,614</u>	<u>\$ 30,495</u>	<u>\$ 47,558</u>	<u>\$ 398,667</u>	<u>\$ 359,670</u>

The accompanying notes are an integral part of the financial statements.

LEGACY LAND CONSERVANCY
STATEMENT OF TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS
June 30, 2012

	Temporarily Restricted	Permanently Restricted
Operating Grants:		
AAACF	\$ 16,500	\$ -
Speckhard Knight Foundation	5,069	-
Consumers Energy	1,602	-
Total Operating Grants	<u>23,171</u>	<u>-</u>
Stewardship Funds:		
Beckwith Preserve	295	-
Creekshead Preserve	7,778	-
Johnson Preserve	2,595	-
Sullivan Easement	10,000	-
The Stewardship Fund	1,150	-
Total Stewardship Funds	<u>21,818</u>	<u>-</u>
Acquisition Funds:		
Farmland Protection	9,314	-
Land Acquisition	126,453	-
Waterloo Fund	11,445	-
Regional Funds:		
Dexter	2,175	-
Pittsfield	1,446	-
Northfield	2,000	-
Community Farm	315	-
Webster Township	11,051	-
Total Acquisition Funds	<u>164,199</u>	<u>-</u>
Endowment Funds		
Endowment Fund	-	53,004
Forever Fund	-	577,222
Total Endowment Funds	<u>-</u>	<u>630,226</u>
Land:		
Creekshead	-	115,000
Beckwith	-	61,000
Sharon Woods	-	303,750
Woodland	-	235,000
Coudron	-	576,000
Total Land	<u>-</u>	<u>1,290,750</u>
Conservation Easements	-	64
Total Temporarily and Permanently Restricted Net Assets	<u>\$ 209,188</u>	<u>\$ 1,921,040</u>

The accompanying notes are an integral part of these financial statements.